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UNCLAS AMMAN 003494

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SUBJECT: JORDAN'S DEBT SWAP PLANS

REF: SCHEDLBAUER E-MAIL 4/09/04

During his April 8, 2004 meeting with U/S Larson, Jordan's Finance Minister Mohammad Abu Hammour promised to deliver a letter describing Jordan's experience with debt swaps and its future plans. Abu Hammour passed the paper to DCM on May 6. Abu Hammour said he planned to pursue this idea during Paris Club meetings in June.

Begin Text of letter:

Debt Swap

1. The Debt/GDP (Debt to Gross Domestic Product) ratio increased by 11 percentage points during 2002 and 2003 due to the appreciation of the exchange rate of the Euro.

2. In December 2003 we had a buy-back operation concerning Jordan's stock of Brady Bonds. We also concluded debt swap agreements with Britain and Germany. These agreements led to a reduction in the debt/GDP ratio by 6 percentage points.

3. According to the Paris Club Agreed Minute of July 2002, creditor countries have the option of debt swap amounting to 30% of the total debt or up to 40 million Euro whichever is higher.

4. We have reached the maximum ceiling for the volume of debt swap (Paris Club) with some countries and we need to go to Paris Club to raise the 30% limit in order to reduce the Debt/GDP ratio and the debt service.

End text of letter.

GNEHM